

Message Text

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ACTION AF-18

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7707

INFO AMEMBASSY ACCRA PRIORITY

AMEMBASSY BONN PRIORITY

C O N F I D E N T I A L LONDON 01611

E.O. 11652: XGDS-1

TAGS: EAID, EFIN, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: SECOND ROUND NEGOTIATIONS

REF: STATE 21189

1. AS REQUESTED REFTEL, WE CALLED MORNING FEBRUARY 5 ON GORDON BAKER, GHANA DESK OFFICER AT FCO, FOR BRIEFING ON LEQUESNE'S MEETING WITH ASHLEY-LASSEN ON FEBRUARY 4. WE LEARNED THAT FEBRUARY 4 MEETING INCLUDED ASANTE, ASHIAGBOR AND CHAUFOURNIER OF IBRD AS WELL AS BAKER HIMSELF.

2. BAKER SAID THAT LEQUESNE HAD OPENED MEETING BY POINTING OUT TO ASHLEY-LASSEN THAT 7/18/2 OFFER IN ACCRA REPRESENTED MAXIMUM EFFORT BY CREDITORS AT THE TIME. THAT OFFER WAS BOTH APPROPRIATE AND GENEROUS AND WAS BASED ON A NUMBER OF FACTORS, INCLUDING THE STATE AND PROSPECTS OF THE GHANAIAAN ECONOMY AS WELL AS ON OBJECTIVE STUDIES CARRIED OUT BY THE IBRD. LEQUESNE WENT ON THE STATE THAT, DESPITE THE GENEROSITY OF THAT OFFER, CREDITORS HAD TAKEN INTO CONSIDERATION GHANAIAAN INSISTENCE ON LENGTHENED GRACE PERIOD AND SUBSEQUENTLY AGREED TO EXTEND IT TO TEN YEARS. IN SO DOING, HOWEVER, IT WAS NECESSARY TO RAISE INTEREST RATE TO 2.5 PER CENT TO MAINTAIN GRANT ELEMENT IN SAME
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RANGE. THUS, CREDITORS' BEST OFFER IS 10/18/2.5.

ASHLEY-LASSEN COUNTERED WITH OFFER OF 10/20/2. HE SAID INTEREST RATE WAS OF VERY GREAT IMPORTANCE TO GOG AND THAT IT WAS POLITICALLY IMPOSSIBLE FOR HIM TO ACCEDE TO RATE HIGHER THAN TWO PER CENT. AFTER SOME DISCUSSION, ASHLEY-LASSEN TOLD LEQUESNE THAT HE COULD REDUCE REPAYMENT PERIOD TO 18 YEARS; I.E., TERMS WOULD THEN BE 10/18/2. MEETING ENDED WITH LEQUESNE AND ASHLEY-LASSEN IN DISAGREEMENT OVER ONE HALF OF ONE PER CENT IN INTEREST RATE. AT CONCLUSION OF MEETING LEQUESNE POINTED OUT TO THE GHANAIS THE 10/18/2.5 OFFER WAS ON THE TABLE AND THAT THEY WOULD BE WELL-ADVISED TO SNAP IT UP BEFORE CHANGING ECONOMIC CONDITIONS INDUCE CREDITORS TO RECONSIDER THEIR GENEROUS OFFER.

3. DRAFT AGREED MINUTE WAS NOT DISCUSSED, BUT ASANTE IS RETURNING TO FCO AFTERNOON, FEBRUARY 5, TO GO OVER IT IN DETAIL WITH LEQUESNE. LEQUESNE PLANS GIVE ASHLEY-LASSEN REVISED DRAFT AND WILL MAKE CLEAR THAT IT IS SUBJECT TO RATIFICATION BY OTHER CREDITORS. BAKER WAS OF OPINION THAT IF MATTER OF REPAYMENT TERMS CAN BE SETTLED, AGREED MINUTE WILL NOT PRESENT ANY SERIOUS OBSTACLES. BAKER ADDED THAT ASHLEY-LASSEN SAID THAT GOG REALLY IS SEEKING SETTLEMENT AND THAT BRITISH THINK GHANAIS ARE SINCERE IN THIS.

4. QUESTION OF RESUMPTION OF AID WAS RAISED DURING FEBRUARY 4 MEETING BUT WAS NOT DISCUSSED IN DEPTH. GHANAIS PLAYED DOWN IMPORTANCE OF PROMISE OF RESUMPTION OF AID, SAYING THAT THERE WAS NO ASSURANCE THAT IN ANY CIRCUMSTANCES AID FLOWS WOULD BE MAINTAINED AT ANY GIVEN LEVEL.

5. IN SUMING UP, BAKER OPINED THAT ASHLEY-LASSEN HAD BEEN SENT TO LONDON IN GOG ATTEMPT TO TEST CREDITORS FURTHER. IF HE RETURNS WITH REPORT THAT 10/18/2.5 IS INDEED THE LAST OFFER, THERE IS A GOOD CHANCE OF ITS BEING ACCEPTED BY GOG. SECURING AGREEMENT AMONG THE CREDITORS FOR EVEN BETTER TERMS, HE NOTED, WOULD BE DIFFICULT, TO SAY THE LEAST.

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6. WE WILL FOLLOW UP FEBRUARY 6 AND REPORT ON ASANTE'S MEETING WITH LEQUESNE.

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